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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

SALES VOLUME

The general readjustment which is taking place in our economy at the present time is being felt in the real estate field. In January, our national index of real estate activity dropped to a point 10% above our long-term computed normal. With the exception of 3 months in 1949, real estate activity has not been this low since January 1944, which was practically the beginning of the real boom activity. During each of the last 7 months, real estate activity has fallen off. In the last 12 months, real estate activity was equivalent to 4,565,000 transfers per year.

MORTGAGE VOLUME

Mortgage volume, as shown on our chart on page 79, has had practically no change during the past 3 months. It is still at a relatively high level, and we believe will continue during 1954 without any very drastic declines.

RESIDENTIAL RENTS

The average dwelling unit rent advanced again, bringing it to the highest point since 1928, but to a level still very much below the level which would be expected in view of the price advances in practically all other commodities and services.

The large chart on pages 80 and 81 in this report shows the relative positions at the present time of rent, wages, and the cost of living in the United States. On this chart the 18-year period from 1921 to 1938 is used as 100, and it will be noticed that rents are now approximately 15% higher than they were in this base period, while wages are 195% higher. The total cost of living is 74% higher.

The smallest rise in any factor other than rent has been in fuel and light, but even this item is approximately 44% higher than it was in the base period.

If rents are compared to the selling prices of single-family residences, it is found that they are only approximately half the height which would normally be expected from their relationships in the past, prior to the period of rent control.

RESIDENTIAL SELLING PRICES

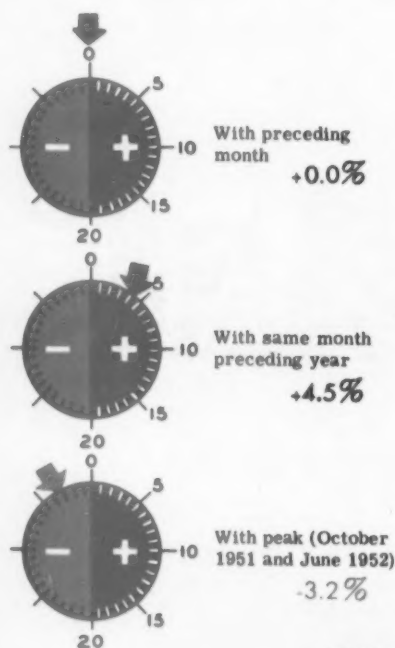
tered a larger drop, and we believe this is due to the fact that it includes buildings of varying ages. We are working at the present time on a very detailed breakdown of selling prices. This analysis will separate buildings by type of architecture, 1- and 2-story buildings, and older and newer buildings. Our opinion is that the index on older buildings will show a considerably greater drop than the average drop on all buildings shown by this index. It will probably be from 3 to 6 months before our research work is entirely completed on the analysis of buildings by types.

RESIDENTIAL BUILDING COSTS

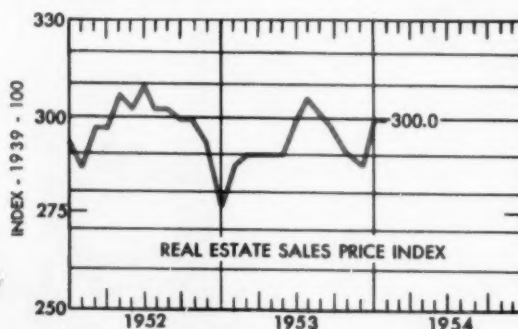
Residential building costs have shown almost no change since the end of the Korean War. The red line on the chart, showing the cost of building our standard 6-room frame house in St. Louis (page 79), has moved sideways with practically no fluctuation since August 1953. We think there is a greater probability in the period ahead of a very small percentage drop in this figure than there is of any radical rise.

(cont. on page 82)

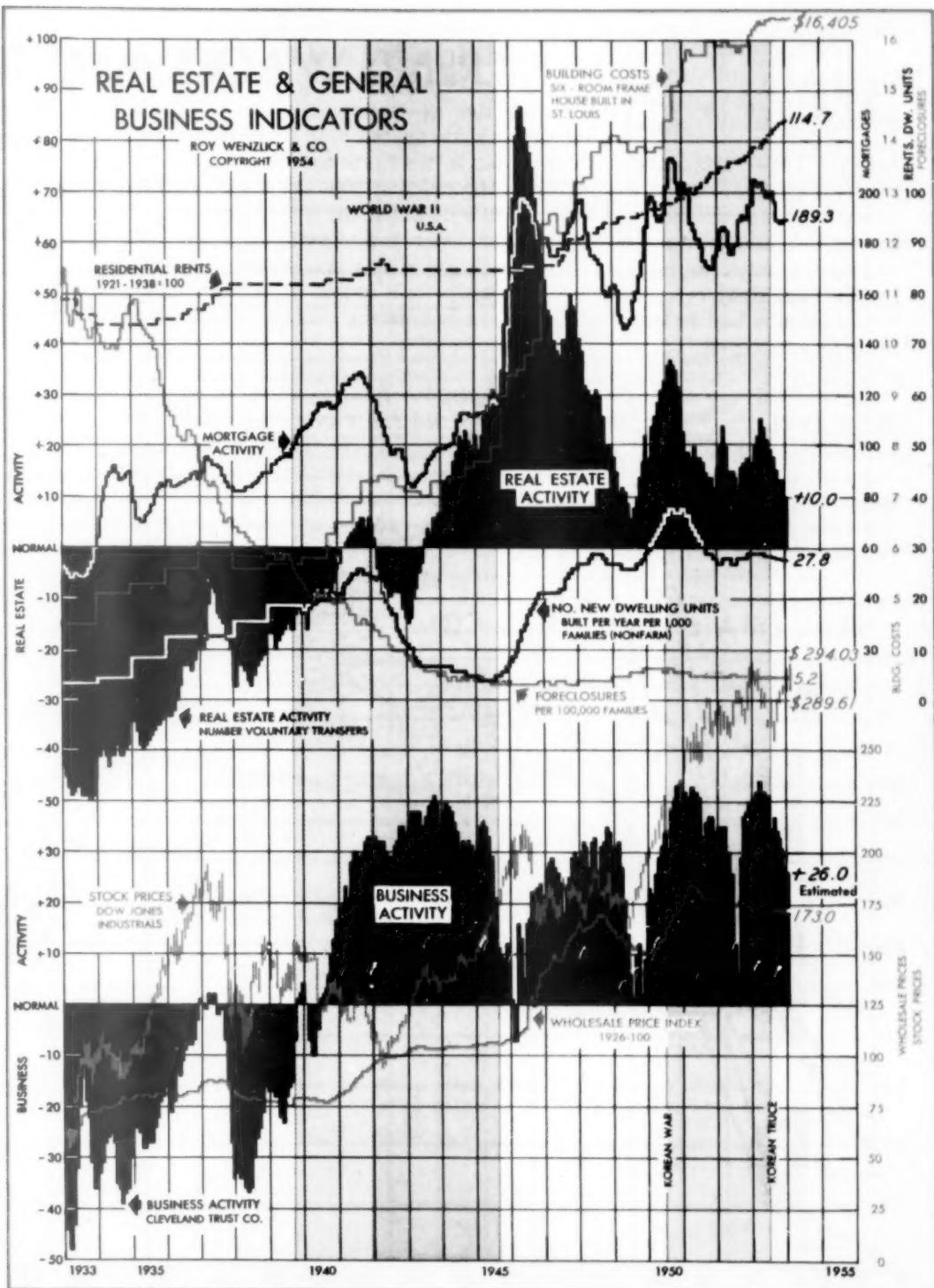
REAL ESTATE SALES PRICE COMPARISONS IN JAN. 1954



*Preliminary.



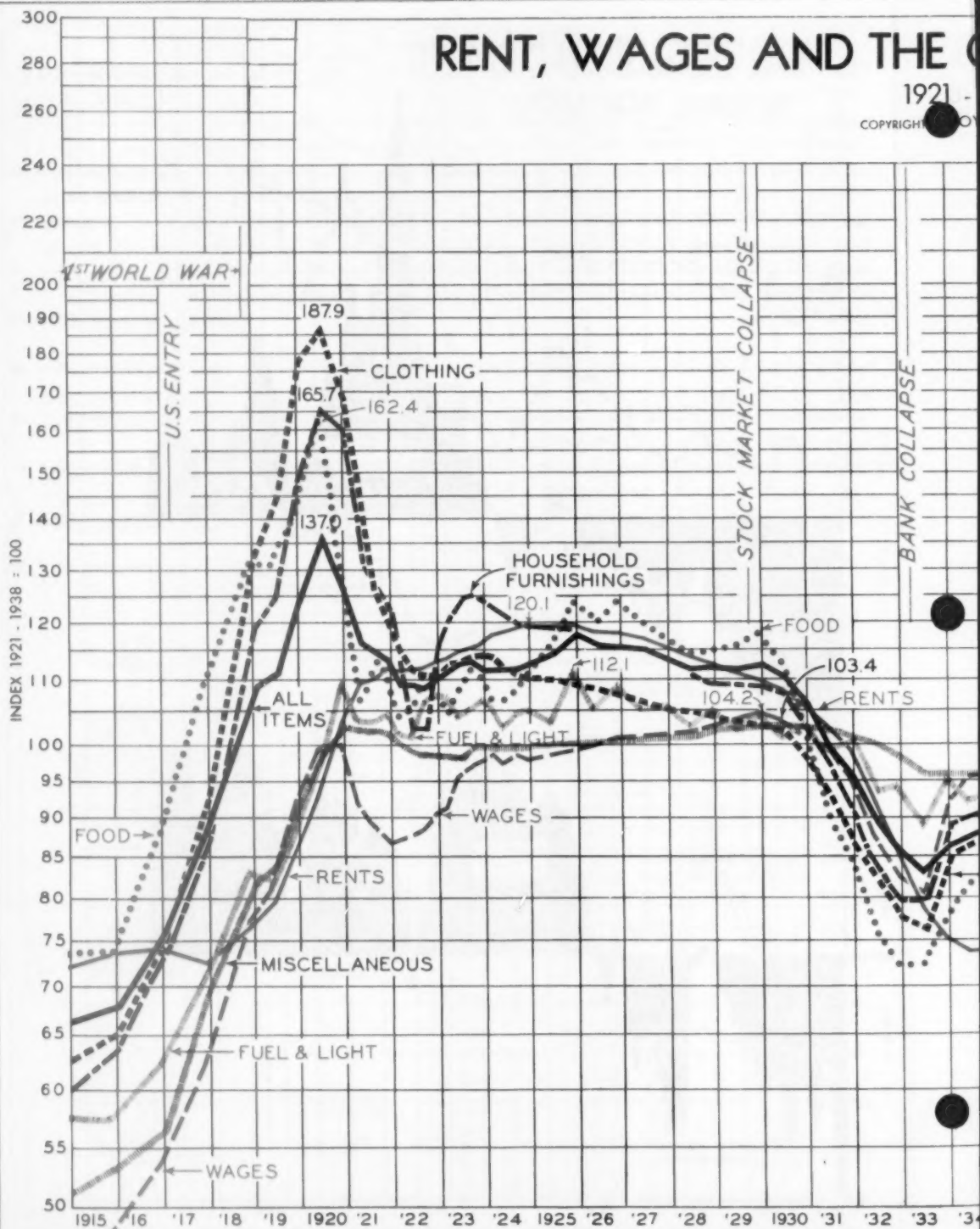
Date	Selling price index	Probable selling price of a house that sold for \$5,000 in 1939
1939	100	\$ 5,000
1940 (2nd half)	110	5,500
June '52 & Oct. '51 peak	310	15,500
Jan. '53	287	14,350
Oct. '53	290	14,500
Nov. '53	287	14,350
Dec. '53	300	15,000
Jan. '54	300*	15,000*



RENT, WAGES AND THE C

1921 - 33

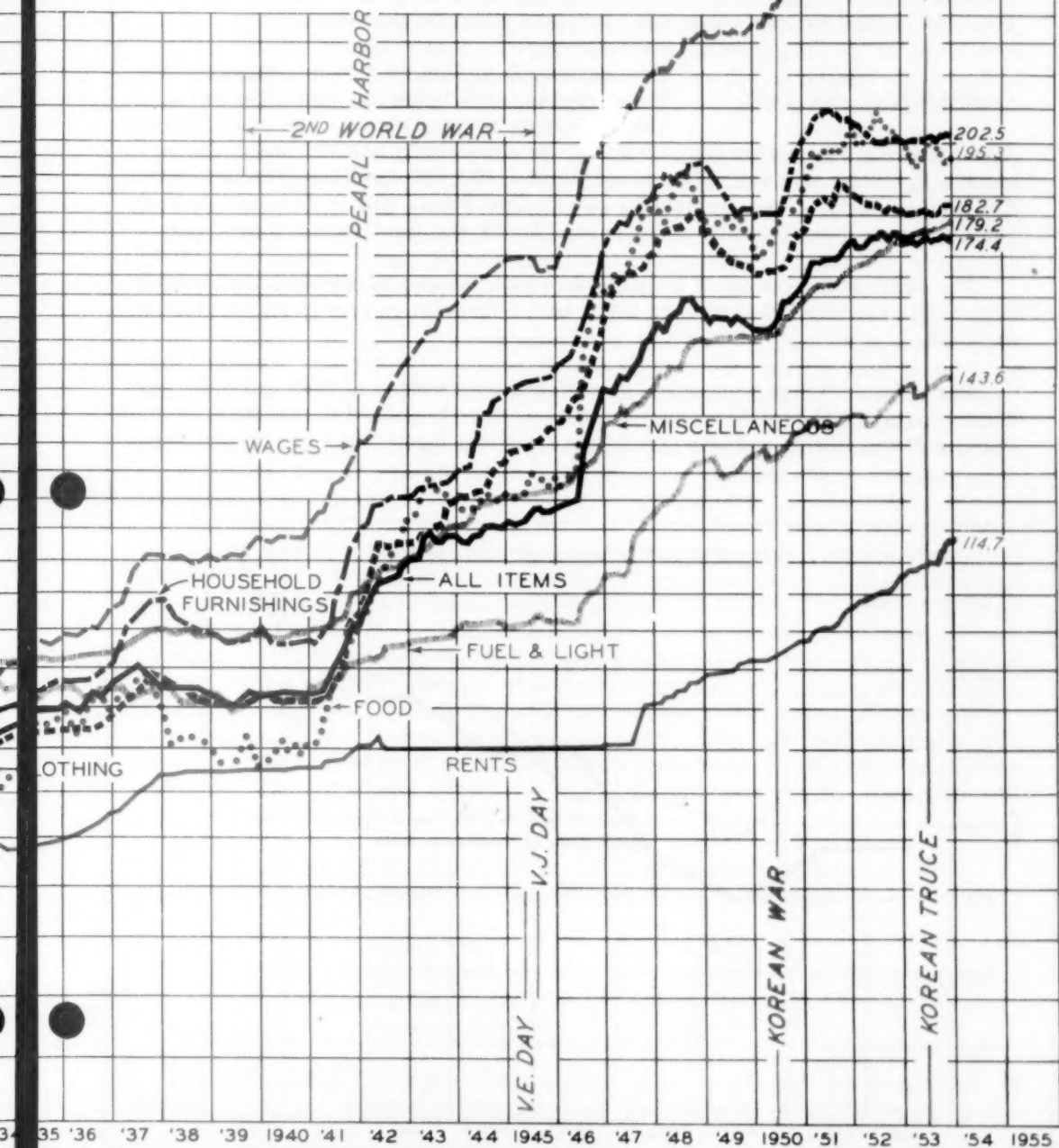
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COST OF LIVING IN THE U. S.

1938 = 100

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(cont. from page 78)

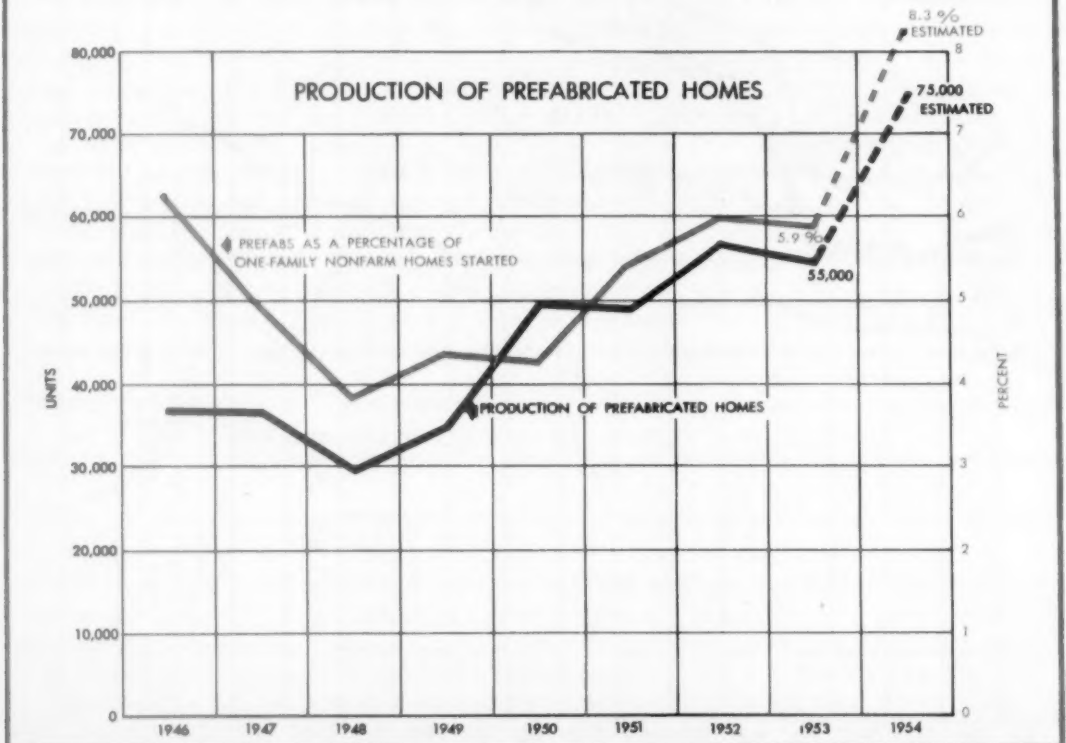
Some items of building cost have already experienced sizable drops, such as fir lumber, for instance. Other types, particularly some of the metal items going into the house, still have readjustments ahead of them. So far, the decreases in some items have been offset by increases in others. We think it probable that in 1954 the decreases will more than offset the increases.

RESIDENTIAL BUILDING

Housing starts totaled 66,000 in January in the United States, $8\frac{1}{2}\%$ below the figure for January 1953. Private housing starts were down 5% and public housing starts were down 66-2/3%. On a seasonally adjusted basis, January building (private) was equivalent to a rate of 1,078,000 dwelling units per year. The highest building rate achieved in the United States was in June and July of 1950, when we were building at the rate of 1,458,000 dwelling units per year.

The chart at the bottom of the page shows the number of prefabricated houses built each year from 1946 through 1953, with a forecast on prefabricated housing for 1954.

The relatively high percentage of prefabricated houses in 1946 and 1947 was due to the fact that prefabricated housing was heavily pushed at that time by the Federal Government, and was able to get away to a faster start in a period when



relatively little conventional building was being done. As conventional building got under way, however, the unusual percentage of these years dropped and has been regained only by the continued upward push of the industry.

The rapid increases in prefabricated housing in 1954 are based primarily on the tremendous increases in production capacity of a number of the large prefabricators. Some of these prefabricators have been running at capacity in the past and could not take additional orders. Now, the increased capacity will enable them to expand their output considerably.

FORECLOSURE RATE

Our chart still shows foreclosures at minimum levels, although we are receiving reports from around the country that delinquencies on mortgages are increasing. It seems to us that foreclosures will move up very slowly in 1954 and 1955. There will not be any sharp increase, however, in the immediate foreseeable future.

MORTGAGE INTEREST RATES

A number of times in the past 23 years we have run mortgage interest rate studies in our reports, several of them going back to 1875. These, however, have been limited to two communities - St. Louis, selected as a sample of a community in which single-family residences predominate, and Manhattan Island, selected as an area where mortgages on large buildings predominate.

We are now constructing a mortgage interest rate study, attempting to pick typical cities throughout the United States for which we can compute an average mortgage interest rate on recorded mortgages each month. This study is being started with the following communities included in the sample: Bridgeport, Connecticut, with its suburbs; that part of Boston Metropolitan Area which is in Suffolk County; Hartford, Connecticut, with its suburbs; Houston, Texas; Jacksonville, Florida; Little Rock, Arkansas; New Haven, Connecticut, with its suburbs; Portland, Maine; Berks County, Pennsylvania, which includes Reading; St. Louis, Missouri, with all of its Missouri suburbs; and Waterbury, Connecticut, with its suburbs. The table below shows the results of our present study. This table will be continued each month in our Trends Reports.

AVERAGE INTEREST RATE OF RECORDED MORTGAGES IN 11 MAJOR CITIES OF THE UNITED STATES

March 1952	4.998%
March 1953	5.007
December 1953	5.110
January 1954	5.187

We will expand this list by the inclusion of as many cities as we can add, in which we can get detailed information on the mortgage interest rates on the

mortgages recorded. This involves going over the recordings item by item in each of these communities, as at the present time we know of no compilations being made.

We have not added Manhattan Island to this list, although we have our own compilations complete back to 1875 on Manhattan. Conditions are so different in the center of Metropolitan New York that we believe its inclusion would destroy the usefulness of the average figures for the other communities.

GENERAL BUSINESS OUTLOOK

There can be no question of the fact that we are now in a period of readjustment in the United States. Industrial production has been dropping for 6 months. Unemployment has been rising, prices are showing some weakness, and agricultural prices have been declining on the average for more than 2 years.

Whether this readjustment will be mild or severe cannot be determined at the present time. It is silly, however, to close our eyes to the facts and to be afraid that we can talk ourselves into a depression. We have insisted time and time again that the only way we can talk ourselves into a depression in the United States is to say that there is nothing wrong with the economy, that there is no chance for a depression to develop, and that all we must do is throw caution to the winds and go ahead with expansion plans. If this type of psychology could prevent a depression, we would not have had any real depressions in the United States, as major depressions have occurred only when they were unexpected. The depression of 1920 and 1921, which was one of the sharpest depressions we have ever experienced, was totally unexpected. We have gone over the business publications and the newspapers in the period which preceded this depression, and optimism was rampant. Even in Government publications we found articles which gave many reasons why no collapse could occur and why prices would maintain the high levels they had reached or would go higher in the period ahead.

Certainly of the big depression which started in 1929, no one could say that it was brought on by forecasts of a depression. The contrary was true. We were in a new era. The Federal Reserve System had solved our monetary problems, we were told, and we could never again have a financial panic. Even after the stock market collapse we were constantly assured, both by private and Government sources, that the economy was fundamentally sound and that there was no reason to worry. We continued to build office buildings and hotels in large numbers, 93% of which went through foreclosure.

We believe that caution is advisable at the present time. We sincerely hope that the present readjustment period can be held to a mild readjustment. There is no proof, however, of the fact that it can, and until clear evidence is apparent that the weaknesses in the present condition have been corrected and that the economy is again advancing, we believe that our clients should follow a conservative policy.